

## Message Text

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21 S

ORIGIN EA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 FEA-01 AEC-05 AID-05 CEA-01 CIEP-01 COME-00

EB-07 FPC-01 INT-05 OMB-01 SAM-01 OES-03 STR-01

TRSE-00 FRB-01 /088 R

DRAFTED BY EA/PHL:EHULEN:RWILLNER:SPB

APPROVED BY EA/PHL:EHULEN

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R 102313Z JAN 75

FM SECSTATE WASHDC

TO AMEMBASSY MANILA

C O N F I D E N T I A L STATE 006659

E.O. 11652: GDS

TAGS: ENRG, RP

SUBJECT: MOBIL OIL

REF: MANILA 0381

1. MOBIL OIL REPS (WASHINGTON REP BECKET AND SOUTHEAST ASIA CHIEF MAXON FROM NY OFFICE OF MOBIL EAST) MET WITH HULEN AND WILLNER ON JANUARY 9 TO DISCUSS THEIR CURRENT EFFORT TO BUY UP TO 50 OF THE BATAAN REFINERY SHARES. THEY SAID MOBIL WANTED 50 TO PROTECT ITS EXISTING POSITION AND TO EXPAND THEIR SHARE OF REFINERY OUTPUT; ALSO, THE OPTION PRICE WAS QUITE FAVORABLE.

2. THEY THOUGHT THAT PNOC HAD GIVEN THE OPTION IN GOOD FAITH, AND WONDERED WHAT WERE THE REAL REASONS, ECONOMIC OR POLITICAL, BEHIND PNOC'S CURRENT EFFORT TO PREVENT ITS BEING EXERCISED. MAXON SAID THAT DESPITE SOME LOOSENESS IN LANGUAGE OF THE OPTION, THEIR LAWYERS WERE CONFIDENTIAL

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OF THE OPINION THAT MOBIL'S PERFORMANCE IN SECURING THE

REQUIRED SAUDI ASSURANCES HAD BEEN SUFFICIENT TO SATISFY LEGAL REQUIREMENTS FOR PERFORMANCE IN ANY NORMAL COURT; HE ACKNOWLEDGED, WRITING, THAT PHILIPPINE COURTS MIGHT TAKE A DIFFERING VIEW.

3. MOBIL REPS REPORTED IMPRESSION THAT MEETING OF WILSON AND WALES WITH PRESIDENT MARCOS HAD BEEN RELATIVELY

HARMONIOUS: THEY HAD BEEN SURPRISED WHEN MARCOS ASKED IF MOBIL WAS INTERESTED IN BUYING OUT PNOC SHARE OF REFINERY AND WILSON'S AFFIRMATIVE REPLY WAS SPUR OF THE MOMENT REACTION.

4. MAXON SAID CURRENT PROSPECT WAS THAT MOBIL WOULD CONTINUE EFFORTS TO BUY THE OPTIONED SHARES. THE PURCHASE PRICE HAD BEEN DEPOSITED IN ESCROW WITH MANILA OFFICE OF A NEW YORK BANK AND PNOC HAD BEEN NOTIFIED OF THE AVAILABILITY OF THESE FUNDS WELL BEFORE THE TERMINATION OF THE OPTION PERIOD. THEY REGARDED DR. TAHIR'S LETTER AS SUFFICIENT ASSURANCE OF SAUDI AGREEMENT TO THE TRANSFER. THEY ARE CONSIDERING RESORT TO LITIGATION, OR AT LEAST OF SUGGESTING POSSIBILITY, NOT IN EXPECTATION OF COURT VICTORY, BUT ARE HOPEFUL THAT THE GOP WOULD BE RELUCTANT TO HAVE ANY PUBLIC AIRING OF THIS DISPUTE AT A TIME IT MIGHT AFFECT OTHER FOREIGN INVESTMENT OR PHILIPPINE CREDIT STANDING.

5. DEPTOFFS REVIEWED PHILIPPINE ATTITUDES ON FOREIGN OWNERSHIP OF INDUSTRIES IN NATURAL RESOURCE AND PUBLIC UTILITY FIELDS AND POINTED OUT THAT 60-40 SPLIT SEEMED TO BE PHILIPPINE IDEA OF WHAT WAS REASONABLE IN MANY AREAS. MAXON INDICATED HE SHARED DOUBTS ABOUT FEASIBILITY OF ACHIEVING INCREASED SHARE AND RECOGNIZED THAT HOLDING PRESENT 43 PERCENT LIKELY TO BE DIFFICULT. HE ALSO ACKNOWLEDGED DOUBTS ABOUT WISDOM OF GOING TO COURT. IN INTERESTING REPLY TO DEPTOFF'S QUESTION WHETHER OUR EVALUATION OF SITUATION SEEMED TOO PESSIMISTIC, MAXON SAID: "IT SOUNDS TO ME AS IF YOU'VE BEEN SITTING IN A BOARD MEETING WE JUST FINISHED".

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6. IN THIS AS IN OTHER COMMENTS, MOBIL REPS SEEMED CONSIDERABLY LESS RIGID THAN MIGHT HAVE BEEN EXPECTED FROM THEIR NEGOTIATIONS IN MANILA, ALTHOUGH IT IS HARD TO SQUARE THIS GREATER FLEXIBILITY WITH THE TACTICS DESCRIBED IN PARA 4 ABOVE. THEY SEEMED APPRECIATIVE, STATED THAT PURPOSE OF CALL WAS TO ENSURE DEPT WAS ABREAST OF SITUATION AND TO OBTAIN INFORMAL ESTIMATES OF PROSPECTS, AND PARTICULARLY ASKED TO BE KEPT INFORMED

OF FURTHER DEVELOPMENTS WHICH CAME TO OUR ATTENTION.

7. REFTTEL REACHED HERE JUST AFTER DISCUSSION CONCLUDED.  
KISSINGER

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## Message Attributes

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